

### Summary

- Saving for retirement requires help from people in the industry, but it is often debated as to whose role it is to take the lead.
- The government generally receives the most criticism for failing to engage with pension savers when member outcomes aren't as expected.
- However, the government is increasing engagement through the likes of auto-enrolment, the impending 'pensions dashboard' and Pension Wise.
- Research has revealed the majority of the industry thinks employers are most responsible for increasing engagement with members.
- This is because it is argued that engagement only works 'closer to home' and needs to be directly between trustees/employers and savers, rather than on a national level.
- Lack of time and concerns about crossing into 'financial advice' territory have held employers and trustees back from increasing communication to members.
- It is important for all industry sectors to work together to increase member outcomes.

# Taking the wheel

➤ **Saving for retirement can be a long and complicated journey. Lauren Weymouth explores whose role it is to take the driving seat and help members get the best outcomes**

Learning to drive a car doesn't happen overnight. Before you can take to the road, there are a number of different obstacles to overcome: passing a theory test, passing a practical test (or five, for those of us who aren't so natural behind the wheel), saving to buy a car, actually buying said car and finally, filling it with petrol. It isn't until all of these things are achieved, that we can finally set off on our first independent journey.

But much like learning to drive, a good retirement doesn't happen at the click of a finger either. Despite how simple some of us may make it sound, to the average saver, the whole concept of saving for retirement can be extremely complex.

Although freedom and choice has given savers



access to the retirement income of their choice, there is a lengthy and complicated process involved in getting them there – one that requires knowledge. After all, nobody can expect to be living on an annual salary of £100,000 at retirement for nothing – it requires some work.

### Calling shotgun

But exactly whose job is it to take the role of 'driving instructor' for retirement saving? Pension savers may have limited knowledge or resources available to make the right decisions about saving across their lifetime, so some help is inevitably going to be required.

According to Aon Hewitt's *2015 DC Survey*, when considering whose role it is to communicate, educate and support members, 77 per cent of industry figures think the responsibility lies with employers, 59 per cent think it lies with trustees, 45 per cent with providers and

31 per cent with the government.

But despite industry figures holding the government less responsible for engaging with pension savers than other industry sectors, the government ultimately receives the most blame when pension savings go wrong.

PASA chair Margaret Snowden says the government is a "key sponsor" of saving for retirement so it therefore has a "major responsibility" for ensuring good engagement and should encourage providers and employers to invest in helping people to understand and appreciate the importance of pension saving.

### A moral obligation

But as PTL director Richard Butcher points out, the government doesn't have a "legal obligation" to communicate. What it does have, however, is some form of responsibility in terms of delivering "successful public policy," he explains.

"This is especially true for pensions. Successful public policy for pensions is when people get good outcomes, and good outcomes come from people having an adequate income at retirement. It is also when people are no longer a burden on the state and subsequently taxpayers. But this can only be achieved if people make informed decisions.

"So although the government doesn't have a responsibility in a legal sense, if they don't help to encourage engagement, their policies will fail," Butcher adds.

Despite criticism, many would argue that the government is actually doing all it can to help engage savers. With policies such as auto-enrolment bringing more people into workplace pension schemes, and free guidance available to aid savers through the process, the British public seems to be more engaged with pensions than ever.

Furthermore, in March, through the Financial Advice Market Review, the government acknowledged the difficulty savers face in planning for retirement. It claimed one of the main reasons was the lack of access to data on their own

savings.

To combat the problem, Chancellor George Osborne announced he intended to push the industry to implement a 'pensions dashboard' to help boost

consumer engagement by allowing people to look at all of their retirement savings in one place.



### Closer to home

But even with tools such as this being regularly designed to help support pension engagement, the government can still only work on a policy level, rather than provide personal and independent information to savers.

"Ultimately," AHC communications consultant Daniel Barrow says, "in order to really strike a chord with members, engagement must start closer to home."

According to Barrow, rather than relying on the government, employers, who are often an employee's first point of contact with pensions, are "arguably in the best position to influence attitudes to saving for retirement".

"As pension benefits can often make up a significant part of an employee's overall package, it is also in the employer's interest to engage their employees and help them to appreciate this valuable benefit," he adds.

But as Bravura Solutions business development EMEA Kirsty Worgan notes, employers are already under pressure as auto-enrolment has increased cost and compliance burdens for companies.

"With more changes to pension legislation on the horizon, we can't expect employers alone to be accountable for making sure people are engaged enough to access the right advice at the right time. But they must take a more active role as an influential conduit for education and advice," she explains.

### No time to spare

Trustees also carry burdens associated

with the pension reforms, leaving very little time for them to increase member communications.

Research recently revealed that even if trustees did have the time, many are too worried about communicating as it could be considered to be crossing the boundaries of financial advice.

"The trustee has adopted a position of avoiding any communications that could be perceived to be 'advice,' which will constrain our ability to communicate creatively using behavioural insight. We are very keen for the regulatory framework to be anchored and consistent," the report by The Pensions Regulator found.

Trustees also claimed to be conscious of risks associated with signposting a member to an FCA-regulated product or provider, or an occupational master trust, to access pension flexibilities, because it could mean they were at risk of providing regulated financial advice.

### Self-motivation

Unfortunately, engaging with members has evidently become more and more challenging. Lack of time and/or resources available to each sector of the industry has left little room for the kind of engagement savers really require.

But while these parties can continue to push ahead, it could be argued that the only person who is really responsible for engaging with pensions is the pension saver itself. Aon Hewitt research actually revealed that four out of 10 members would like to make decisions at retirement themselves, or with the support of family or friends.

However, as Squire Patton Boggs pensions partner Judith Donnelly explains, the position of the individual,

particularly young people, needs to be considered in the light of the overall economic conditions.

"Many young people simply cannot afford to save for retirement. These are the underlying issues the government needs to tackle if it wants to encourage greater pensions saving," she says.

Barrow also highlights how it's impossible to simply "hand members the keys" and expect them to head in the right direction without any form of guidance. "Planning for retirement isn't straightforward. It's vital to engage members, educate them as to their options, and empower them by giving them the right tools make the important decisions that will impact their future."

But in the same way that members can't drive the car alone, neither can any of the industry sectors. The government requires the help of the employer, just as much as the employer requires the help of the trustee. For such a long journey, it only seems fair for everybody to share the driving.



Written by Lauren Weymouth